

**REPORT OF THE AUDIT OF THE
CARROLL COUNTY
CLERK**

**For The Year Ended
December 31, 2001**



EDWARD B. HATCHETT, JR.
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EDWARD B. HATCHETT, JR.
AUDITOR OF PUBLIC ACCOUNTS

To the People of Kentucky

Honorable Paul E. Patton, Governor
T. Kevin Flanery, Secretary
Finance and Administration Cabinet
Dana Mayton, Secretary, Revenue Cabinet
Honorable Gene McMurry, County Judge/Executive
Honorable Marketta K. Brock, Carroll County Clerk
Members of the Carroll County Fiscal Court

The enclosed report prepared by Stephens & Lawson, PSC, Certified Public Accountants, presents the statement of receipts, disbursements, and excess fees of the County Clerk of Carroll County, Kentucky, for the year ended December 31, 2001.

We engaged Stephens & Lawson, PSC, to perform the financial audit of this statement. We worked closely with the firm during our report review process; Stephens & Lawson, PSC, evaluated the Carroll County Clerk's internal controls and compliance with applicable laws and regulations.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Ed Hatchett".

Edward B. Hatchett, Jr.
Auditor of Public Accounts

Enclosure



**REPORT OF THE AUDITOR OF PUBLIC ACCOUNTS
AUDIT EXAMINATION OF THE
CARROLL COUNTY CLERK**

Calendar Year 2001

EXECUTIVE SUMMARY

CARROLL COUNTY MARKETTA K. BROCK, COUNTY CLERK CALENDAR YEAR 2001 FEE AUDIT

The Carroll County Clerk's 2001 fee audit was contracted to Stephens & Lawson, PSC through a request for proposal (RFP). We have issued an unqualified opinion on the financial statement taken as a whole. Based upon the audit work performed, the financial statement is presented fairly in all material respects.

Financial Condition:

Excess fees decreased by \$11,069 from the prior calendar year, resulting in a cash surplus of \$40,577 as of December 31, 2001. Revenues decreased by \$20,609 from the prior year and disbursements decreased by 9,540.

Debt Obligations:

Total debt obligations as of December 31, 2001, was \$1,336. Future collections of \$1,336 are needed next year to pay all principal and interest.

Deposits:

The Clerk's deposits were insured and collateralized by bank securities or bonds.

CONTENTS

	<u>PAGE</u>
Independent Auditors' Report	1
Statement of Receipts, Disbursements, and Excess Fees	2
Notes to Financial Statement	5
Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of the Financial Statement Performed in Accordance With Government Auditing Standards	8



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Independent Auditors' Report

We have audited the accompanying statement of receipts, disbursements, and excess fees of the County Clerk of Carroll County, Kentucky, for the year ended December 31, 2001. This financial statement is the responsibility of the County Clerk. Our responsibility is to express an opinion on this financial statement based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for County Fee Officials issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1, the County Clerk's office prepares the financial statement on a prescribed basis of accounting that demonstrates compliance with the modified cash basis and laws of Kentucky, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statement referred to above presents fairly, in all material respects, the receipts, disbursements, and excess fees of the County Clerk for the year ended December 31, 2001, in conformity with the modified cash basis of accounting.

In accordance with Government Auditing Standards, we have also issued our report dated August 21, 2002, on our consideration of the County Clerk's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

Respectfully Submitted,

Stephens & Lawson, P.S.C.

Stephens & Lawson, P.S.C.

Audit fieldwork completed -
August 21, 2002

CARROLL COUNTY
MARKETTA K. BROCK, COUNTY CLERK
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND EXCESS FEES

Calendar Year 2001

RECEIPTS

State Fees For Services		\$	3,524
Fiscal Court			2,489
Licenses and Taxes:			
Motor Vehicle -			
Licenses and Transfers	\$	252,754	
Usage Tax		1,854,358	
Tangible Personal Property Tax		616,761	
Licenses -			
Fish and Game		3,216	
Marriage		6,693	
Occupational		75	
Deed Transfer Tax		17,269	
Delinquent Tax		<u>38,378</u>	2,789,504
Fees Collected For Services:			
Recordings -			
Deeds, Easements, and Contracts	\$	6,956	
Real Estate Mortgages		18,136	
Chattel Mortgages		31,120	
Powers of Attorney		489	
All Other Recordings		12,316	
Charges for Other Services -			
Candidate Filing Fees		350	
Copywork		<u>1,817</u>	71,184
Other:			
Miscellaneous	\$	1,300	
Overages		8,508	
Returned Checks Paid		<u>6,092</u>	15,900
Debt Service:			
Borrowed Money			3,600
Interest Earned			<u>1,729</u>
TOTAL RECEIPTS (CARRIED FORWARD)		\$	2,887,930

The accompanying notes are an integral part of the financial statement.

CARROLL COUNTY
MARKETTA K. BROCK, COUNTY CLERK
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND EXCESS FEES
Calendar Year 2001
(Continued)

DISBURSEMENTS

Payments to State:

Motor Vehicle -

Licenses and Transfers	\$	180,339	
Usage Tax		1,792,705	
Tangible Personal Property Tax		215,230	

Licenses -

Candidate Filing Fees		210	
Delinquent Tax		5,352	
Fish and Game		3,112	
Legal Process Tax		8,294	
Marriage License		2,565	
		<hr/>	\$ 2,207,807

Payments to Fiscal Court:

Tangible Personal Property Tax	\$	65,040	
Delinquent Tax		4,079	
Deed Transfer Tax		16,405	
		<hr/>	85,524

Payments to Other Districts:

Tangible Personal Property Tax	\$	311,851	
Delinquent Tax		18,211	
		<hr/>	330,062

Payments to Sheriff

1,162

Payments to County Attorney

5,550

Operating Disbursements and Capital Outlay:

Personnel Services -

Deputies Salaries	\$	102,961	
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Employee Benefits -

Employer's Paid Health Insurance		10,117	
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Contracted Services -

Advertising		94	
Printing and Binding		1,532	

Materials and Supplies -

Office Supplies		5,678	
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Other Charges -

Conventions and Travel		105	
Dues		155	
Miscellaneous		408	
Overages Returned		8,063	
Postage		3,452	
Refunds		6,169	
Repairs		192	
Returned Checks		5,078	

The accompanying notes are an integral part of the financial statement.

CARROLL COUNTY
MARKETTA K. BROCK, COUNTY CLERK
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND EXCESS FEES
 Calendar Year 2001
 (Continued)

DISBURSEMENTS (Continued)

Capital Outlay -			
Office Equipment	\$	6,562	\$ 150,566
Debt Service			
Borrowed Money	\$	3,600	
Lease Purchase		2,451	6,051
Total Disbursements			<u>2,786,722</u>
Net Receipts	\$	101,208	
Less: Statutory Maximum			<u>56,927</u>
Excess Fees	\$	44,281	
Less: Expense Allowance			<u>3,600</u>
Excess Fees Due County for Calendar Year 2001	\$	40,681	
Payment to County Treasurer - January 15, 2002			<u>40,507</u>
BALANCE DUE AT COMPLETION OF AUDIT	\$		<u>174</u>

The accompanying notes are an integral part of the financial statement.

CARROLL COUNTY
NOTES TO FINANCIAL STATEMENT

December 31, 2001

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Fund Accounting

A fee official uses a fund to report on the results of operations. A fund is a separate accounting entity with a self-balancing set of accounts. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

A fee official uses a fund for fees to account for activities for which the government desires periodic determination of the excess of receipts over disbursements to facilitate management control, accountability, and compliance with laws.

B. Basis of Accounting

The financial statement has been prepared on a modified cash basis of accounting, which is a comprehensive basis of accounting other than generally accepted accounting principles. Under this basis of accounting, certain receipts and certain expenditures are recognized as a result of accrual at December 31, 2001.

The measurement focus of a fee official is upon excess fees. Remittance of excess fees is due to the County Treasurer in the subsequent year.

C. Cash and Investments

At the direction of the fiscal court, KRS 66.480 authorizes the County Clerk's office to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

NOTE 2 – EMPLOYEE RETIREMENT SYSTEM

The county officials and employees have elected to participate in the County Employees Retirement System (CERS), pursuant to KRS 78.530 administered by the Board of Trustees of the Kentucky Retirement Systems. This is a multiple-employer public retirement system that covers all eligible full-time employees. Benefit contributions and provisions are established by statute. Nonhazardous covered employees are required to contribute 5.0 percent of their salary to the plan. The county's contribution rate for nonhazardous employees was 7.17 percent for the first six months and 6.41 percent for the last six months of the calendar year.

Benefits fully vest on reaching five years of service for nonhazardous employees. Aspects of benefits for nonhazardous employees include retirement after 27 years of service or age 65.

CARROLL COUNTY
NOTES TO FINANCIAL STATEMENT
December 31, 2001
(Continued)

NOTE 2 - EMPLOYEE RETIREMENT SYSTEM (Continued)

Historical trend information pertaining to CERS' progress in accumulating sufficient assets to pay benefits when due is present in the Kentucky Retirement Systems' annual financial report which is a matter of public record.

NOTE 3 - DEPOSITS

The County Clerk maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC). According to KRS 66.480(1)(d) and KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the County Clerk and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution. These requirements were met, and as of December 31, 2001, the County Clerk's deposits were fully insured or collateralized at a 100% level with collateral of either pledged securities held by the County Clerk's agent in the County Clerk's name, or provided surety bond which named the County Clerk as beneficiary/obligee on the bond.

NOTE 4 - LEASE

The office of the County Clerk is committed to a lease agreement with Triple M Business Products for a Toshiba 2860 copy machine. The agreement requires a monthly payment of \$167 for 36 months to be completed on October 25, 2002. The total balance of the agreement is \$1,336 as of December 31, 2001.

**REPORT ON COMPLIANCE AND ON INTERNAL
CONTROL OVER FINANCIAL REPORTING BASED ON AN
AUDIT OF THE FINANCIAL STATEMENT PERFORMED IN
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**



To the People of Kentucky

Honorable Paul E. Patton, Governor
T. Kevin Flanery, Secretary
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Dana Mayton, Secretary, Revenue Cabinet
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Members of the Carroll County Fiscal Court

Report on Compliance and on Internal Control Over Financial Reporting Based on an
Audit of the Financial Statement Performed in Accordance With Government Auditing Standards

We have audited the Carroll County Clerk as of December 31, 2001, and issued our report thereon dated August 21, 2002. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Carroll County Clerk's financial statement as of December 31, 2001, is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our test disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Carroll County Clerk's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statement and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statement being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of management and is not intended to be and should not be used by anyone other than the specified party.

Respectfully Submitted,

Stephens & Lawson, P.S.C.

Stephens & Lawson, P.S.C.

Audit fieldwork completed -
August 21, 2002

